1973

Client profile: Envirotech

Anonymous

Roy Stevens

A CLIENT PROFILE

ENVIROTECH—

combining the elements needed for an integrated approach to the interrelated problems of environmental protection.

Just over four years ago, partner Clancy Houghton in our San Francisco office received a phone call that was to involve Haskins & Sells in the birth and growth of a giant in the pollution control industry.

Bob Kwong, Envirotech's senior vice president and treasurer recently reflected back on that phone call. "In just a few months we had to arrange for capitalization of the company with $20 million in stock, plus long term debt, a line of credit big enough to give us room to grow, rights to pollution control technology, and acquisition of one, hopefully two, established companies in the water pollution control field. It was obvious that we needed more than just routine audit help.

"Clancy had run the audit when I was at U.S. Leasing," Bob recalls. "I knew he could do the job. I told him what we needed and within a few days he was hard at work helping us make it happen."

The audit now involves 24 H&S offices including 12 overseas. It shows how doing a job well can pay off in unexpected ways.

The formation of Envirotech as a large, integrated company was no accident. For many years the manufacturing of pollution control equipment had been a fractionated industry. To meet the demand they felt sure was coming, Envirotech's founders knew there was a need to bring together established companies which manufactured specialized equipment and systems for environmental management and to consolidate their engineering, manufacturing and marketing capabilities.

In responding to this need, our client, Envirotech, has become the Cinderella company in the field of environmental control. In four years annual sales have grown from less than $60 million to $175 million, giving the company a prominent place on the *Fortune* magazine directory of the country's top 1,000 U.S. industrial corporations.

Prime movers behind the formation were Robert L. Chambers, Berne A. Schepman and Robert R. Kwong—all with extraordinary track records in the business world.

Robert L. Chambers, chairman of the board and chief executive officer was one of three founders of the Magna Power Tool Company in 1947. He became president of several other companies and, eventually, a vice president of Bangor Punta Corporation until the end of 1967, when he resigned from all operating responsibilities to begin work on the formation of Envirotech.

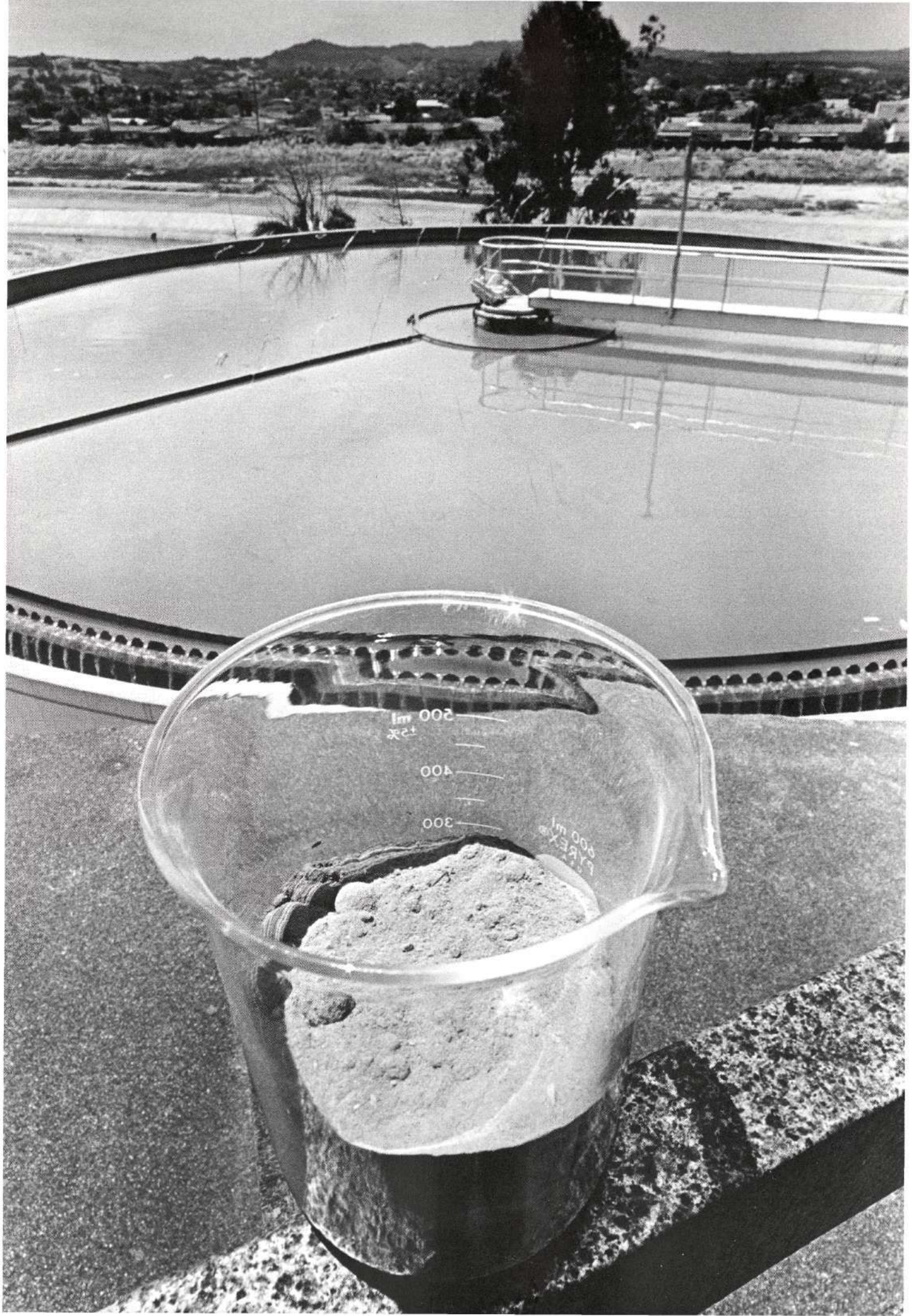
Keeping tabs.
Robert L. Chambers, chairman of the board and chief executive officer of Envirotech Corporation (l.) shows H&S partner Chuck Schwinn the automatic monitoring system in use at the Palo Alto water quality control plant.

Waste disposal.
A settling pond and a beaker of sterile ash depict the beginning and end of a secondary sewage treatment operation for the City of San Mateo.

Berne A. Schepman originally joined Eimco Corporation, one of the companies Envirotech first acquired, as a research engineer, becoming president in 1964 and then president and chief operating officer of Envirotech in 1969.

Robert R. Kwong was vice president and treasurer with a San Francisco client, United States Leasing Corporation, and with Pacific Vegetable Oil Corporation. He arranged Envirotech's initial borrowing during the credit crunch of 1969, becoming vice president and treasurer of the company when it was founded and senior vice president in December of 1969.

Another of the close ties H&S has had with Envirotech almost since its inception is through former San Francisco office senior accountant Cass P. Apple. He is the son of the late H&S partner Casper B. Apple who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for many years was partner in charge of the Newark office, then served in the Executive Office until he retired in 1966.

Cass joined Envirotech a week after it began operations. Currently he is assistant treasurer and assistant secretary, analyzing and helping complete acquisitions. This is challenging work which he seems to enjoy immensely. He credits his aptitude for the work to his years in the H&S San Francisco office. "Each audit was a challenge to see how the various parts of the accounting system inter-related and helped you understand the operations of the company. I've used the theories that came out of that experience many times. You see, we make our acquisitions primarily for marketing, technological or operating reasons. It's remarkable how well an understanding of accounting controls helps explain these aspects of a business."

Acquisitions have played a big part in Envirotech's dramatic four-year rise to prominence in the environmental control field. Since May of 1969, the company has acquired sixteen additional businesses, all according to a well-defined plan. Even while it has been growing, the company has been able to maintain a minimum annual growth rate of 15 per cent in earnings per share.

"One of the big factors that enabled us to maintain our rapid growth rate," says Cass, "is our emphasis on strategic management planning. Right at the beginning Reed Nelson (formerly Eimco's financial vice president and now senior vice president of Envirotech) began developing a decentralized management-oriented accounting system that is critically important to this. Our local controllers are partners in management. They prepare and help interpret decision-oriented data, directly affecting our company's operations."

When Cass talks about decentralized management, he is talking about 16 operating divisions, manufacturing equipment for three basic lines—wastewater treatment, air pollution control, and tunneling and underground mining.

Today Envirotech's line of major equipment for both municipal and industrial wastewater treatment is the most extensive in the industry. This is particularly important because wastewater and sewage treatment requires a broad range of inter-related technology and highly specialized equipment. For municipalities this equipment ranges from special purpose non-clog pumps all the way to large, custom-built, multiple hearth furnaces which incinerate sewage sludge to produce an odorless, sterile ash which greatly reduces the problems of land fill.

In between, the sewage must be treated in a series of other equipment which Envirotech also provides: clarifiers to separate sludge continuously from recoverable liquid; vacuum filters or centrifuges to treat the sludge further to make it economic for disposal; aerators to hasten the biologic decomposition process; and sometimes other equipment to remove phosphates or otherwise change the process.

Similar equipment is provided by Envirotech for the continuous process industries such as minerals processing, pulp and paper, and chemicals, where it is used for pollution control and also to separate liquids from solids.

Envirotech also manufactures instruments to monitor and control the flow of water, sewage and other fluids, and to respond to changes in temperature, level and pressure as necessary. Other Envirotech instruments are now being used to measure the amounts of pollutants, pesticides and other contaminants in gases, liquids and solids.

As an added attraction, last fall Envirotech established its Envirotech Operating Services (EOS), a new department to supply a full range of operating services for municipal water and wastewater treatment plants. EOS provides start-up and training assistance, maintenance control and management information systems to improve municipal plant operation.

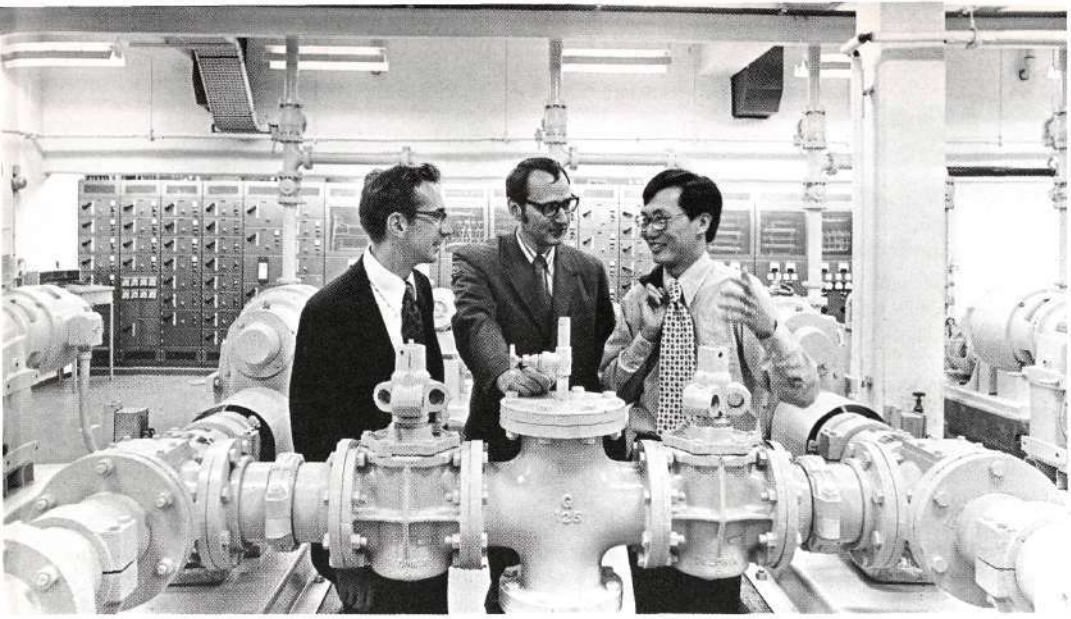
Envirotech entered the industrial air pollution control field in 1971, by acquiring three businesses in the United States and one in England. Envirotech now manufactures all of the major types of equipment used for control of air pollution from stationary sources. Most of Envirotech's equipment is custom designed and engineered. (Envirotech does not intend to manufacture equipment for the control of emissions from automobile exhausts or other high-volume, low-unit-cost, consumer-oriented items.)

Envirotech's major air pollution control equipment includes electrostatic precipitators which use positive and negative electrical charges to remove 99 per cent or more of the particles from exhaust gases of electrical utilities, cement kilns, petroleum refineries and other industrial operations; mechanical collectors to remove heavier particulates by centrifugal and gravitational force; fabric filters to remove particulates with high efficiency by screening them through bags which work like a series of very large vacuum cleaners; and wet scrubbers which, in various configurations, remove particulates or objectionable gases from air by streaming it through water.

The consolidation of the technological, production and marketing resources of its air pollution control divisions enables Envirotech to offer "solution selling," in that its marketing is oriented toward problem solving which is not limited by the types of equipment the company has to offer.

Although Envirotech's Air Pollution Control Group is relatively new in the field, the company's intention to increase its share of the market is evidenced by the fact that the group's sales jumped 77 per cent and earnings 89 per cent in fiscal 1973, as compared with a ten-month fiscal 1972.

Pump room.
Robert R. Kwong (r.) senior vice president and treasurer of Envirotech, seems happy to describe the advantages of a series of Wemco pumps for assistant treasurer Cass P. Apple, alumnus of our San Francisco office (l.), and manager John Kline.



Just recently, Envirotech acquired another company to expand its efforts in the field of air control inside plants as well as exhaust gases outside. "H&S worked side by side with us into the late hours all through the July 4th weekend on that one," says Cass. "I wonder if Clancy had anticipated that when he took that first phone call from us four years ago."

Although Envirotech is primarily concerned with air and water pollution control equipment, the company is also the world's largest manufacturer of underground loaders. The company designs, manufactures and sells load-haul-dump vehicles used in the mining of nickel, lead, zinc, copper and iron. It also makes other heavy-duty rock loaders, rotary drilling equipment and auxiliary equipment for use in tunneling operations. Tunneling and mining equipment accounted for over 20 per cent of Envirotech's worldwide sales last year.

Along the way, Envirotech has found time to make two public stock offerings and become listed on the New York Stock Exchange. Net worth is now over $66 million. "Not only are they in pollution control," says Clancy Houghton, "but they've become part of the establishment. How can you beat that?"

Envirotech is headquartered in Menlo Park, California, a short distance from our San Francisco office. Other major manufacturing locations in the U.S. include Salt Lake City; several locations in California and Pennsylvania; Birmingham, Alabama; Winston-Salem, North Carolina; and Cleveland. Elsewhere in the world, it has manufacturing facilities in England, France, Italy, Australia, South Africa, Brazil, and Mexico, plus joint ventures in India and Japan.

Obviously, Envirotech is a corporation that is on the move worldwide. As for the future, a recent analysis of the company by a major financial institution noted that "the company's conservative accounting is illustrated by the policy of expensing against income almost all corporate costs, including R&D, project start-up costs, and marketing programs, resulting in 'high-quality' earnings and a strong balance sheet," and added that "the management and operations of Envirotech are structured for strong long-term growth." Not bad press clippings for a four-year-old that has taken the environmental protection world by storm and still shows every sign of continuing growth. □